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## India's Response to Changes in South Asia: New Opportunities, Old Tensions

An Intelligence Assessment

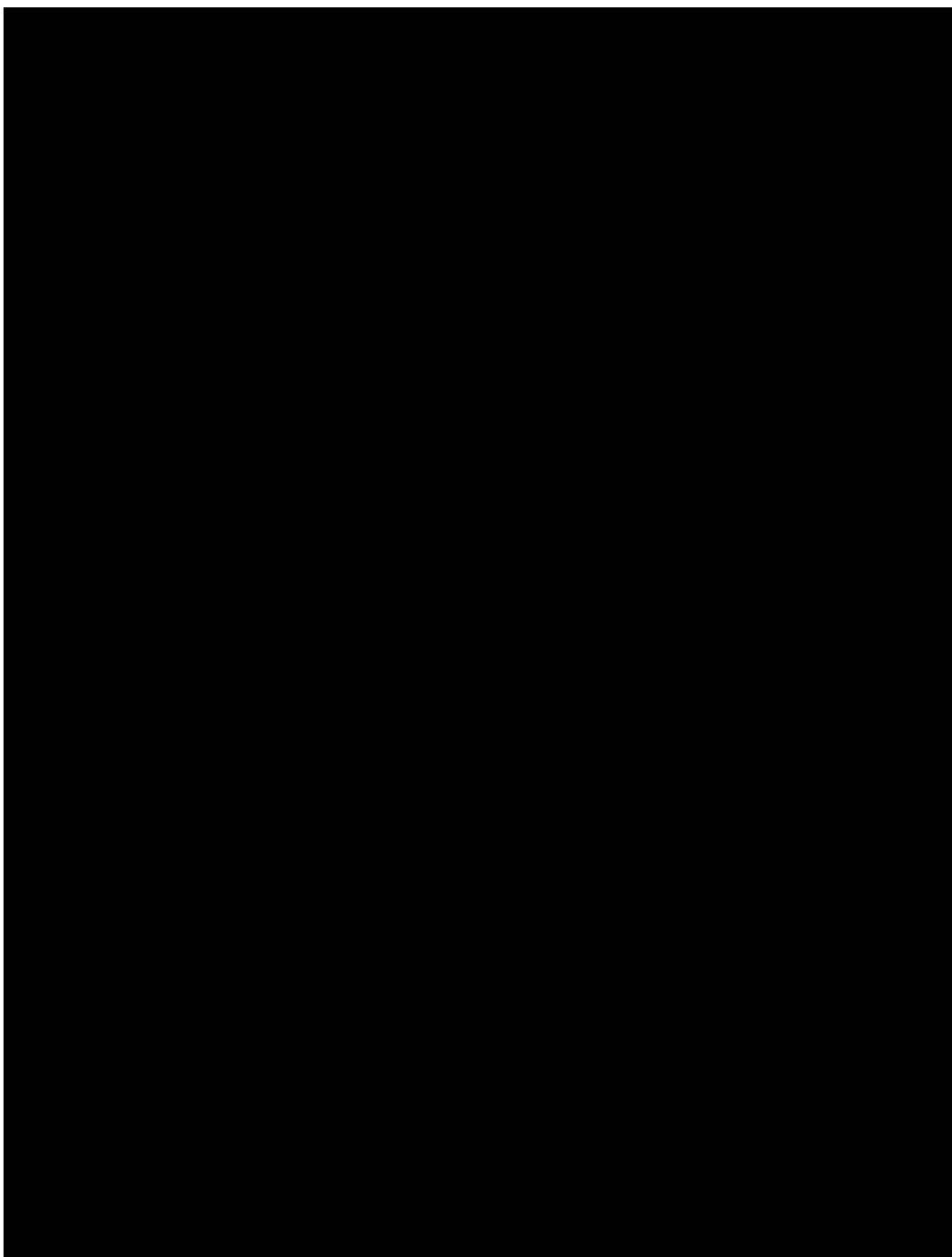
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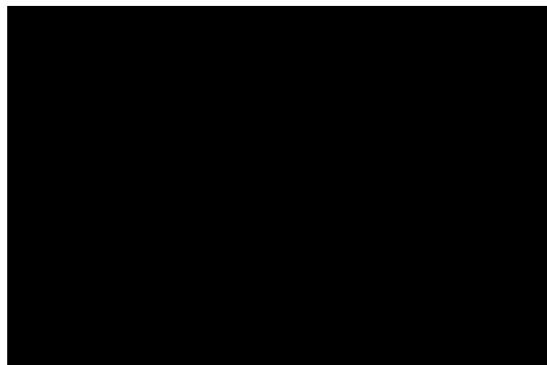


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# India's Response to Changes in South Asia: New Opportunities, Old Tensions

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## India's Response to Changes in South Asia: New Opportunities, Old Tensions

### Key Judgments

The conciliatory tone that has characterized Prime Minister Gandhi's foreign policy toward India's neighbors following the return to democracy in Pakistan and other developments in the region over the past year is not likely to last. Indo-Pakistani relations improved markedly in the wake of President Zia's death last August and the election of Benazir Bhutto as prime minister in November, but they now appear likely to deteriorate as working-level officials seek to translate Gandhi and Bhutto's initial good will into concrete agreements. Relatively smooth presidential and parliamentary elections over the past six months ensured the continuation of democracy in Sri Lanka and seemed to offer an opportunity to reassess the role of Indian peacekeeping forces on the island, but unresolved problems probably will prevent more than a partial withdrawal. With national elections required in India before the end of the year, concessions by New Delhi in its disputes with Nepal and Bangladesh appear increasingly unlikely.

India's traditionally volatile relations with Pakistan will be especially susceptible to downturns. Meetings tentatively planned to start in May or June between senior Indian and Pakistani officials probably will address several problems.


Deep-seated problems such as nuclear and missile programs on both sides, the status of the disputed territory of Kashmir, and conventional arms acquisitions are reemerging, however, and are likely to stall or at least slow progress toward normalization between the two countries.

Strain between New Delhi and other regional capitals is more typical of relations in the region than the good will manifested over the past six months. Although the Indians from time to time have proved themselves adept at summitry and constructive negotiations in managing regional relationships, a more confrontational style has predominated under successive administrations and appears likely to continue to mark New Delhi's approach to its neighbors. India's fundamental goals in South Asia—attaining recognition as the region's leading power, restricting great power influence in the area, and maintaining the country's security against overt military threats or forces that might undermine its internal stability—have prompted policies that have heightened tensions in the region.

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The reemergence of a more confrontational approach by India to its neighbors will pose problems for US policy in the region, particularly as it pertains to Pakistan. US military sales to Pakistan will be a critical issue in India. Moreover, New Delhi is looking to Washington to support India's growing role as a regional stabilizer and will be unreceptive to US policies predicated on a balance of power between India and Pakistan. The persistence of Indo-Pakistani tensions means that the threat of conflict, and potentially of a nuclear war, remains between the two traditional foes.



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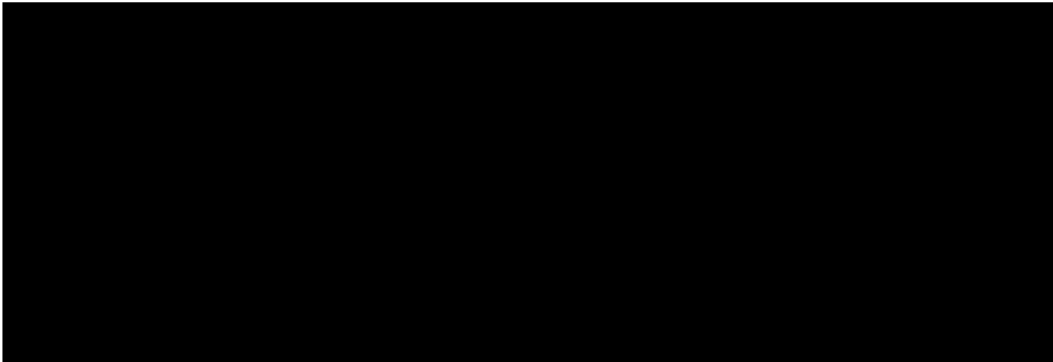
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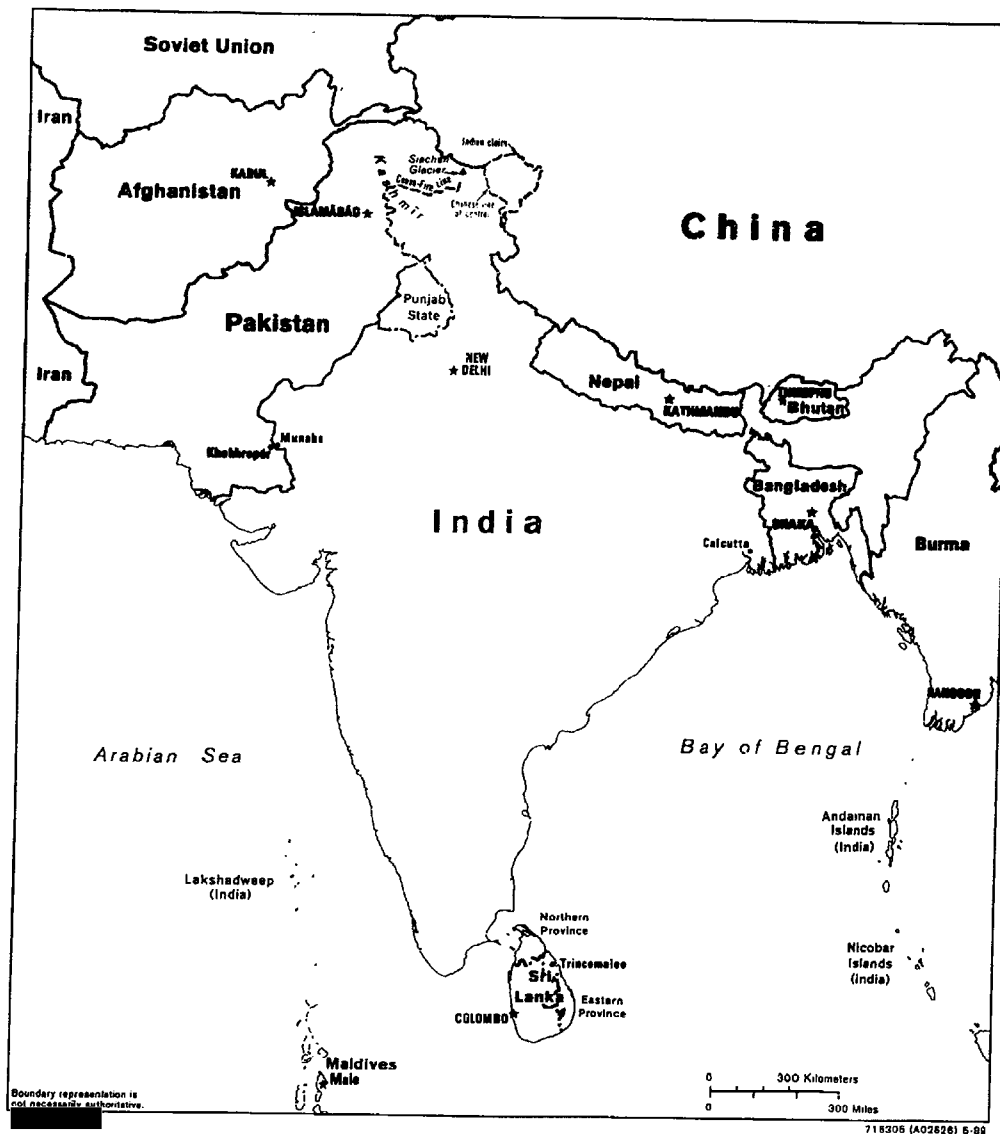


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## India's Response to Changes in South Asia: New Opportunities, Old Tensions

India typically has lurched from brief attempts at conciliatory policies to a more confrontational style in its regional foreign policy. Prime Minister Rajiv Gandhi scored successes with conciliatory policies early in his administration only to revert to more confrontational approaches later on. Following his landslide election victory in 1984, Gandhi convinced then Pakistani President Zia to open bilateral talks on several contentious issues. Relations steadily deteriorated, however, and by late 1986 Gandhi was publicly insinuating that Pakistan might have been involved in an attempt on his life in October of that year. At the same time, Gandhi supported the Indian military's plans for exercises that brought the two sides close to a conflict neither side wanted. Elsewhere in the subcontinent, Gandhi initially attempted a good neighbor approach with Nepal and Bangladesh—only to revert to confrontation.

Many of the changes in South Asia over the past year appear to offer New Delhi opportunities to attempt a more conciliatory approach to its neighbors:

- President Zia's death and Benazir Bhutto's election as prime minister restored democracy in Pakistan, compelling India to reassess its frequent complaint that a military regime in Islamabad bent on competition with New Delhi left little room for trust between the two states. In addition, the disappearance of what New Delhi regarded as an assertively Islamic regime in Islamabad occurred simultaneously with developments in Afghanistan that have contributed to Indian willingness to seek a new beginning with Pakistan and drop the Afghan issue as a bone of contention between the two sides. A more secular regime in Islamabad and the Kabul government's survival in the immediate aftermath of the Soviet withdrawal have diminished Indian concerns over the possibility of a wave of fundamentalist victories in the region that might stir dissent among Indian Muslims.

- The election of a new administration in Sri Lanka, committed by its election rhetoric to seek a new treaty to define Indo-Sri Lankan relations, appeared to offer New Delhi an opportunity to reassess its commitment of a 50,000-man peacekeeping force there. The Indian Foreign Secretary commented in January 1989 that New Delhi would consider drawing down its forces on the island if violence continued to subside, and a limited withdrawal may have been set in motion.

Nonetheless, India's confrontational style persists in the current impasse over trade and transit between New Delhi and Kathmandu, while longstanding problems will make it easy for New Delhi to fall back on more confrontational policies toward Pakistan and Sri Lanka. Prospects for an early resolution of the Indo-Nepal crisis are remote, in our view. Indian concerns about Pakistani intentions—particularly with regard to its nuclear and missile programs, the territorial dispute over Kashmir, conventional arms acquisitions, and alleged Pakistani support for the Sikh militant movement in the Indian state of Punjab—could easily slow or derail improvement in bilateral ties. The goal of complete withdrawal of Indian forces from Sri Lanka appears likely to founder on the intractable issues of power sharing among Sri Lankan ethnic groups and security arrangements on the island.

Political pressure on Gandhi during this campaign year—he must hold a national election by December—is likely to make it harder for him to make concessions to India's neighbors and to follow through on policy decisions that would be unpopular with the Indian electorate and seized on by his opposition. Gandhi probably will use India's neighbors as scapegoats for some of his problems, such as blaming Pakistan for Sikh militant violence or criticizing Bangladesh for not preventing the refugee flow in the northeast in a bid for votes in that ethnically troubled area.

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*Regional Leaders' Perceptions of India*

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*Bhutan. King Jigme Singye Wangchuck is sensitive to India as the regional superpower and his country's dependence on the Indian economy. As part of his effort to increase Bhutan's visibility as a sovereign nation, Wangchuck has been moving toward a more independent foreign policy. In the last few years, Bhutan has been more active in international organizations and has established diplomatic relations with about 15 countries. Bhutan's slow emergence suggests that Wangchuck understands the constraints he must work under to avoid provoking New Delhi.* [REDACTED]



*Nepal. Wedged between regional superpowers India and China, King Birendra Bir Bikram Shah Dev fears that any sign of domestic unrest could prompt India to invade Nepal to restore stability. The King is concerned that India has taken on the role of regional policeman and does not respect the sovereignty of smaller states. The Indians' refusal to sign Birendra's Zone of Peace proposal, which pledges strict neutrality for Nepal and forswears any foreign military presence in the kingdom, fuels the King's suspicions.* [REDACTED]



*Maldives. President Maumoon Abdul Gayoom is ambivalent toward India. Although he is suspicious of long-term Indian goals in the region, Gayoom apparently appreciated Gandhi's quick military support during last fall's coup attempt. The Maldives now probably are deeper within India's security shadow than Gayoom would prefer as a result of India's intervention.* [REDACTED]

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*Sri Lanka. President Ranasinghe Premadasa has inherited the tangled web of suspicion, resentment, and dependency characteristic of Indo-Sri Lankan relations. Although India's military involvement in Sri Lanka's insurgency in 1987 and the continuing presence of the Indian peacekeeping force may have limited further bloodshed, Sri Lanka's predominantly Sinhalese leadership is suspicious of Indian intentions. Premadasa and other senior leaders chafe at the prospect of a prolonged Indian military presence on the island. Sri Lankan officials over the next several years probably will cautiously seek to increase international ties to offset Indian influence.*



*Pakistan. The ruling triumvirate of Prime Minister Benazir Bhutto, President Ghulam Ishaq Khan, and Chief of Army Staff Gen. Mirza Aslam Beg, to varying degrees, view India as Islamabad's most serious external threat. For them India's recent acquisition of advanced Soviet military equipment such as MiG-29s and a nuclear-powered submarine, the successful launch of an indigenously produced ballistic missile, and military operations in Sri Lanka and the Maldives confirm New Delhi's continuing hegemonistic ambitions. Tensions, however, are low because of the good will engendered during the meeting between Bhutto and Gandhi last December.*



*Bangladesh. Indo-Bangladesh relations have long been complicated by territorial and water-related disputes and by Bangladesh's perspective that India's ultimate desire is to absorb the smaller South Asian states. Relations were further strained following the 1988 floods and what Bangladesh perceived as India's intransigence on cooperative preventive measures. President Hussain Mohammad Ershad is currently pursuing a pragmatic approach to New Delhi, and a joint task force on water management issues has helped to stabilize the relationship.*

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### India's Objectives

Underlying both conciliatory and confrontational Indian policies are longstanding foreign policy objectives for the region that, in our view, have and will continue to generate conflicts between India and its neighbors. Despite changes in the tone and style of Indian diplomacy under successive Indian leaders and at different times in their administrations, we believe New Delhi's key objectives in South Asia have remained largely unchanged since independence in 1947. [REDACTED]

Preeminent among these objectives is the desire to obtain recognition from its neighbors of India's status as the region's leading power. We believe New Delhi seeks to have its neighbors rely on Indian advice and to consult on major foreign and military policies. New Delhi, in our view, seeks such recognition as the natural corollary of its dominance in terms of size, population, natural resources, industrial base, and other attributes. [REDACTED]

Closely related to its attempt to win recognition as the dominant power in South Asia, India seeks to restrict the influence of the great powers in the region. Despite its historically close ties to the Soviet Union and more recent turn to the West for trade and technology, we believe New Delhi's aspirations are to achieve a level of regional power and an ordering of regional relationships sufficient to diminish and ultimately eliminate any great power presence in the region perceived by the Indians to be inimical to their interests. New Delhi sees its neighbors as targets for states outside the region seeking military facilities, such as logistic bases and communications and weather stations. Such "foreign presences," in New Delhi's view, allow the great powers to influence regional security matters and undermine India's regional leadership role. [REDACTED]

Protecting India both from the Pakistani military and from social strife in the region that could spill over into India is a key objective that drives Indian policies that often are seen as threatening by its neighbors. Pakistan's military modernization, including its nuclear weapons development program and close military ties to the United States and China, are affected by

and in turn fuel India's own defense acquisitions and military modernization. Ethnic and religious tensions in India—in the volatile northeastern region, among Sikhs in Punjab, or the continuing threat of outbreaks of conflict between Indian Hindus and Muslims—contribute to the Indian sense of vulnerability and consequently to regional frictions. New Delhi seeks to prevent direct assistance from outside powers to any of these groups, to prevent refugee flows that could complicate local problems in the border regions, and to head off the potential threat of fundamentalist Islamic troublemaking among Indian Muslims. [REDACTED]

### Means of Influence

The Indians have demonstrated a keen sense of the constructive potentials of diplomacy as a foreign policy tool when conciliation has been dominant in New Delhi. Prime Minister Gandhi, for example, capitalized quickly on Benazir Bhutto's election, meeting with her in December 1988 and coming away with a signed pact designed to prevent attacks on each other's nuclear facilities. Although Gandhi and President Zia had verbally agreed to such a pact in 1985, most observers saw Gandhi's and Bhutto's decision to formalize it during the December visit as an attempt to signal the two leaders' intention to deal constructively with each other. Gandhi probably also designed this year's cut in India's defense budget partly as a conciliatory gesture to Pakistan. [REDACTED]

Gandhi likewise pursued a strategy of constructive diplomacy toward Bangladesh, Nepal, and Sri Lanka in the conciliatory mood of the first two years of his administration. [REDACTED] the inauguration of the South Asian Association for Regional Cooperation (SAARC) in 1985 showed that regional leaders were optimistic about relations with India because Gandhi showed an unexpected willingness to negotiate problems multilaterally. [REDACTED]

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### Indo-Pakistani Confidence-Building Measures

*Agreements on confidence-building measures frequently mark upswings in Indo-Pakistani relations. [REDACTED]*

*Zia and Gandhi during meetings in 1985 verbally agreed not to attack one another's nuclear facilities but failed to sign a document when relations soured in the following years. Indian and Pakistani officials signed the agreement during the Gandhi-Bhutto meetings last December. Both sides probably will ratify it this year and exchange lists of facilities. India and Pakistan also signed agreements for cultural exchanges and avoidance of double taxation during Gandhi's visit to Islamabad. [REDACTED]*

*India and Pakistan have considered other confidence-building measures in recent years. These include:*

- Easing visa restrictions, including the current requirement that visitors report to police in each city visited.*
- An initiative to allow members of Parliament and judges of South Asian states to travel throughout the region without visas.*
- Reopening the border crossing point at Khokhro-par-Munaba.*
- Cooperating in antinarcotics activities, including border patrols.*
- Adopting measures to ensure that border military exercises do not escalate into conflict. Some regional experts suggest that a combination of several measures could fit into this category, including: prior notification of large-scale exercises; inclusion of on-site observers from the other country at exercises; and limitations on exercises near sensitive border areas. The latter might specify maximum frequency and force size for exercises and demarcate a buffer zone that would be off limits to major exercises. [REDACTED]*

*New Delhi is pushing Islamabad to liberalize the limited but slowly growing commerce between the two countries and offer India most-favored-nation status, but the Pakistani business community fears that India will flood the market. India reluctantly accepted a list of 249 trade items proposed in 1987 by Pakistan as a starting point for increasing trade, which amounted to \$47 million during FY 1988. [REDACTED]*

*India and Pakistan in 1988 discussed joint border patrols to control cross-border arms smuggling by Sikh militants. The two sides' home secretaries probably will raise this issue at their next round of meetings. [REDACTED]*

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Figure 1. Gandhi and regional leaders at meeting of South Asian Association for Regional Cooperation meeting, 1988.



Bangladesh of a corridor of land connecting it to Tin Bagha—a small Bangladeshi enclave located just inside India—which Dhaka then regarded as a test of Indian sincerity.

King Birendra originally saw Gandhi as a friend and catalyst for change. Finally, Gandhi early in his administration pulled back from the policy of supporting Tamil militants in Sri Lanka initiated by his mother, engaging in a series of unsuccessful attempts to mediate between the government in Colombo and the insurgents.

More commonly, however, the Indians have relied upon heavyhanded tactics to try to push their neighbors into line with Indian interests. In the case of Bangladesh, for example, the earlier mood of conciliation on Gandhi's part dissipated by 1987 and has failed to improve.

Likewise, using its economic power—India's economy dwarfs the economies of the other regional states—New Delhi has moved sharply away from the conciliatory style of Gandhi's first contacts with Nepal's King Birendra. India allowed the trade and transit agreement with Nepal to lapse in March 1989.

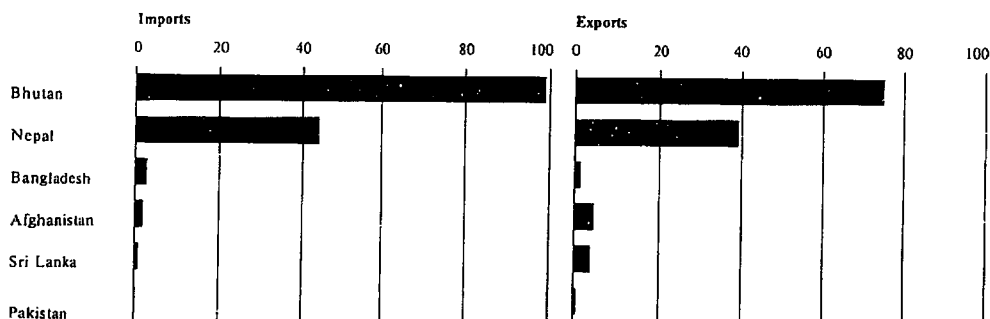
to show its displeasure with recent Nepalese policies—particularly Nepal's development of closer ties to China and its purchase of Chinese weapons in 1988—that fail to take Indian security interests into account. The treaty is important for landlocked Nepal because Kathmandu channels most of its foreign trade through Calcutta and because the terms of the treaty directly affect the cost and availability of imported goods for Nepal. New Delhi's closure of all but two border crossing points into Nepal and its decision to halt shipments of petroleum products and of supplies for Nepalese industries have led to major economic dislocations, including energy shortages and inflation. Demonstrations erupted in Nepal early in the crisis, and the threat of instability as a consequence of economic problems remains significant.

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**Figure 2**  
**India's Share of Trade With Neighboring**  
**Countries, 1988**

*India's percentage of*



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India's deployment of an approximately 50,000-man peacekeeping force in Sri Lanka since 1987 and its quick military intervention in the Maldives to foil a coup attempt in October 1988 indicate its willingness to employ military force to support its objectives. Persistent frictions along India's borders with Pakistan in the disputed area of Kashmir provide numerous instances of Indian willingness to use its military in confrontational ways to signal determination to protect its interests. [REDACTED]

#### **India's Policy Constraints**

Despite the disparities in political, economic, and military strength that provide India numerous means of influence in the region, India's options are constrained by several factors. India's neighbors often resist Indian views while seeking support and alliances both outside and within the region to counterbalance New Delhi. [REDACTED]

Attempts by India's neighbors to draw in outside support against New Delhi have long been a key element of the regional security environment. Premunently, India's options toward Pakistan are constrained by US and Chinese support for Islamabad. New Delhi rankles at what Indian decisionmakers perceive as an attempt by Washington and Beijing to maintain a balance between India and Pakistan. The Indians maintain that, given the disparities in the countries' size and resources, no such balance exists and that support from states outside the region has in the past encouraged destabilizing policies on the part of its neighbor. [REDACTED]

Efforts by South Asian states to counterbalance India through multilateral diplomacy—primarily through SAARC—impose at least limited constraints on Indian options, in our view. Despite Gandhi's dismissal of SAARC as primarily an "economic" organization, as reported in the press, other members hope it will develop into a venue where they can discuss contentious political issues and weaken the leverage India employs by negotiating problems bilaterally. [REDACTED]

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Finally, India's options are complicated by the fallout from its own policy choices.

despite Indian interests in the outcome of the conflict in Afghanistan—New Delhi would hope for a stable, secular government in Kabul more responsive to India than to Pakistan with the ability to curb the flow of arms and narcotics from Afghanistan into India—the Indians are powerless as a consequence of their own policies. Having for nine years supported Soviet intervention in Afghanistan, the Indians are virtually without leverage. In another case, India's confrontational approach toward Nepal risks deepening anti-Indian sentiment there, eliminating the possibility of restoring the previous close ties between the two states.

#### Outlook

Despite some conciliatory steps, India's policies toward its neighbors are likely to return over the next year to a fairly uniform pattern of strains and tension. Resolution of longstanding issues is only a distant prospect. Currently soured Indian relations with Nepal and Bangladesh show no sign of improvement soon. Relations between New Delhi and other regional capitals that have experienced an improvement in tone will suffer as working-level officials seek to translate the warmer tone into substantive accords on intractable issues:

- Longstanding Indian perceptions of Pakistani threats to Indian security and internal stability are likely over time to undermine the progress achieved since the Gandhi-Bhutto meetings in December 1988. The nuclear issue will continue to be highly sensitive despite the improved tone in relations.

[redacted] Bhutto, for her part, dampened some of the enthusiasm after her meetings with Gandhi by stating that the Kashmir issue still impedes progress toward better relations. [redacted] some officials [redacted] already believe Indo-Pakistani relations have swung too quickly toward optimism. These officials argue that Bhutto's position is too uncertain to gamble on.

- Continuing turmoil in Afghanistan eventually is likely to return as a major bone of contention between Islamabad and New Delhi. The emergence of a fundamentalist regime in Kabul or evidence that arms or narcotics from Afghanistan are finding their way in significant quantities to India probably would prompt New Delhi to try to work against Pakistani interests in Kabul. India's options are constrained by its lack of leverage, but New Delhi might seek a spoiler role by channeling support to any losers among the resistance groups competing for power. The significance of an Indian swing to active opposition to Pakistan over Afghanistan would lie with its destructive consequences for Indo-Pakistani relations rather than with the minimal effect it might have on the outcome in Kabul.

- An accommodating approach to the new Sri Lankan President's political needs is likely to run aground as violence continues in Sri Lanka and Indian opposition parties try to make the Indian peacekeeping force a campaign issue for Gandhi this summer and fall. Indo-Sri Lankan relations are likely to come under strain if President Premadasa begins to insist on a role for Sri Lankan security forces in the embattled north and east before the Indians are willing to relinquish control.

- India's policies toward its other neighbors appear likely to suffer from Gandhi's repeatedly demonstrated frustration when solutions to regional problems are not quickly forthcoming. For example, when water sharing problems with Bangladesh could not be resolved quickly and painlessly early in Gandhi's administration, the two sides returned to the accusations and counterproductive approaches that had earlier plagued relations.

- Nepal's refusal to give way to Indian pressure holds out little prospect for an early resolution of the impasse between the two countries.

[redacted] solutions to the issues involved will be even more difficult to achieve. In addition, Nepalese steps to seek aid from China, Pakistan, and Bangladesh will deepen Indian intransigence.

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Recent progress toward greater stability in the region—the Indo-Pakistani pledge against attacks on one another's nuclear facilities, for example, or Gandhi's determination to reduce defense spending—will be highly vulnerable to changing circumstances, in our view:

- Prime Minister Bhutto's ouster by a coup almost certainly would spark an immediate downturn in Indo-Pakistani relations. Her removal would reinforce Indian doubts about the possibility of developing trust, given political instability in Pakistan, and rekindle in New Delhi old suspicions about the intentions of Pakistan's military leadership toward India. Indian leaders would view a coup as giving Pakistani generals absolute control over key areas of concern such as the nuclear weapons program or Pakistani aid to Sikh militants.
- Signs that de facto power remains in the hands of the Pakistani military almost certainly would lead to renewed tensions in Indo-Pakistani relations. Conflicting public statements by Bhutto and military leaders about Pakistan's nuclear intentions, for example, would be quickly seized upon and portrayed in the worst light by the Indian leadership. Indian officials also will be watching closely to see whether Bhutto can match India's recent defense budget reductions.
- Continued ethnic violence by the radical Sinhalese Janatha Vimukthi Peramuna (JVP) in southern Sri Lanka almost certainly would delay a total withdrawal of Indian troops from Sri Lanka. New Delhi's interest in ensuring stability on the island will make the Indians hesitate before beginning a drawdown that would force the Sri Lankan Government to replace the Indians by shifting Sri Lankan troops from anti-JVP operations in the south to anti-Tamil operations in the north.

#### Implications for the United States

The persistence of strains between India and its neighbors will continue to create a zero-sum environment in which US support for one side is perceived as

hostile by the other. In these circumstances, Indo-US trade and investment ties will be particularly vulnerable in an election year in India.

From New Delhi's perspective, great power involvement in the region is diminishing and India's role as a stabilizing regional leader is becoming increasingly apparent. As a consequence, in India's view, Washington should extend greater recognition and support to New Delhi. Regardless of whether the Indians undertake their regional role with policies that are conciliatory or confrontational, they will be looking to Washington to adopt complementary policies that place India at the center of the regional security system. At a minimum, New Delhi will look to Washington to avoid steps that, from its perspective, complicate the realization of Indian objectives in the region.

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